

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 3399 - SB 3596

March 4, 2010

SUMMARY OF BILL: Authorizes the sale of wine and beer for on-premises consumption in jurisdictions approving liquor-by-the drink by local option election within two years of the bill's effective date.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

\$9,600/FY10-11/ABC Fund
\$960,000/FY10-11/General Fund
\$14,700/FY11-12/ABC Fund
\$1,950,000/FY11-12 and Subsequent Years/General Fund
\$9,800/FY12-13/and Subsequent Years/ABC Fund

Increase State Expenditures – Not Significant

Increase Local Revenue - \$128,000/FY10-11/Permissive
\$260,000/FY11-12 and Subsequent Years/Permissive

Increase Local Expenditures – Not Significant/Permissive

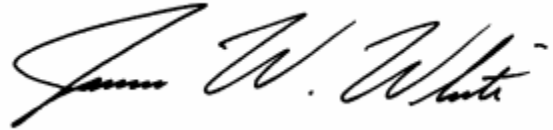
Assumptions:

- This bill will apply to 87 counties. Six do not allow the sale or consumption of alcoholic beverages. Two counties (Knox and Shelby) already allow the sale of alcohol outside municipal areas.
- According to the Alcoholic Beverage Commission (ABC), there are six establishments licensed to serve liquor-by-the-drink outside the municipal areas of Knox County and five establishments outside the municipal areas of Shelby County.
- Based on information provided by the Department of Revenue (DOR) and the ABC, there will be 32 new licenses issued in FY10-11; and 33 new licenses issued in FY11-12. All 32 licenses issued in FY10-11 will renew in FY11-12 and all 65 licenses will renew in FY12-13 and subsequent years.
- The application fee for each license is \$300 and the minimum annual renewal fee is \$150.

- The increase of state revenue to the ABC Fund is estimated to be \$9,600 in FY10-11 ($\300×32); the increase is estimated to be \$14,700 in FY11-12 [$(\$300 \times 33) + (\$150 \times 32)$]; and the increase is estimated to be approximately \$9,800 in FY12-13 and subsequent years ($\$150 \times 65$).
- Based on information provided by DOR, each license will generate approximately \$30,000 in state sales tax revenue and \$4,000 in local option sales tax revenue. Therefore, there will be an increase to state sales tax revenue of \$960,000 in FY10-11 ($\$30,000 \times 32$); and an increase of \$1,950,000 in FY11-12 and subsequent years ($\$30,000 \times 65$).
- The increase to local option sales tax revenue is estimated to be \$128,000 in FY10-11 ($\$4,000 \times 32$); the increase to local option sales tax revenue is estimated to be \$260,000 in FY11-12 and subsequent years ($\$4,000 \times 65$).
- ABC will not require additional resources to accept and handle additional licenses.
- Local government will not require additional resources to manage new licenses.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/agl